

Financial Policy & Audit Committee (FPAC)

Management Report

At the back of this report book you will find the audited financial statements for the period dated February 1, 2006 to January 31, 2007. Looking at these statements, you might ask yourself, what does all of this mean? To summarize it in one sentence, we can say that MC Canada has completed another good year. Management was able to work with the budget approved last year in Edmonton, carrying out the proposed projects with the money entrusted to us.

If you follow the year to year Operating Statement more closely, you will likely have noticed that over the past few years, we have made changes to how we report on projects. Last year we made a distinction between “Expenses for Partner Programs” and “Contributions to Related Organizations”. This year we have made some additional adjustments. For financial reporting purposes, we have moved “Der Bote”, “MHC Archives” and “MHC Gallery” out of the Formation Council and into Partner Programs. The significance of this move is that Partner Programs are projects that we consider to sustain themselves without receiving any general donation income, though under certain circumstances, a particular project within Partner Programs may receive a subsidy from a Council or Board. Otherwise, these partner programs and related organizations are limited to the funding that they receive.

Consequently, for financial reporting purposes, MC Canada is now made up of three components:

1. Core program including Witness, Formation, Support Services Council and General Board
2. Partner Programs
3. Contributions to Related Organizations.

When analyzing each of these components separately, we know that donations for our core program totaled approximately \$3,600,000. This is short of target by \$38,000 and by \$63,000 compared to 2006. Donations for Partner Programs totaled \$392,000 in 2007 compared to \$421,000 in 2006, and Related Organizations donations totaled \$414,000 in 2007 compared to \$375,000 in 2006. The fluctuations in these last two categories are not as significant, due to the fact that projects are often short-term, beginning and ending any time during the year, and the following year will see new projects arise that are not necessarily comparable.

Donations were slightly below budget; however, due to an offsetting under-expenditure, we were able to end the year with a surplus that was used to further replenish our reserves. We were thus able to post a \$184,000 General Fund operating surplus that was allocated to the different internally restricted funds. A summarized General Fund statement of operations is provided in this report book.

Continuing with our balance sheet, the good news is that the loans receivable from related partners (CMU and MPN) have been paid in full. This allowed MC Canada to repay both loans to Crosstown Credit Union. At this moment, MC Canada is free from any bank debt. Contingent liabilities guaranteed by MC Canada have decreased from \$80,000 US in 2006 to \$58,000 US in 2007. MC Canada did however assume the guarantee of a loan to Mennonite Publishing Network, totaling \$250,000.

Another highlight on our balance sheet is the fact that MC Canada has transferred ownership of the property at 600 Shaftesbury Blvd. to CMU. As part of the transfer, MC Canada retained the beneficial ownership of the conference administration building and the Heritage Centre by way of a 99 year capital lease agreement. MC Canada does not pay rent on this lease but is responsible for all utility and maintenance costs associated with these properties.



Randy Wiebe

FPAC members:

Clare Schlegel, Ingrid Peters-Fransen, Helen Kasdorf.

Staff:

Randy Wiebe, Director of Finance; **Lorna Friesen**, Assistant Director of Finance; **Nyomen Klassen**, Accounts Payable Clerk; **Laura Zacharias**, Coordinator-Payroll and Benefits Accounting; **Dianne Schmidt**, Accounting Administrative Assistant.

general

formation

witness

support services

finance

discernment



Looking toward the future, donation revenue projections were prudently decreased in light of the downward trend, and in keeping with financial policy. With a transfer from General Reserve of \$69,000, we are once again presenting to you, the delegates, a balanced budget for the year ending January 31, 2008. The 2008 budget is presented in this report book. With the intention to continue the work that was started in the past few years, the budget was prepared with no increases to budgeted expenditures. Significant work will be going into the 2009 budget to adjust expenditures to the current revenue realities and priorities.

In the past we did not prepare budget figures for most of the Partner Programs and Related Organizations. Now we have included targets for each project supported or administered by MC Canada.

Two versions of the budget are once again presented. The “net program budget” has deducted deferred contributions and other income from councils’ expenditures, so that you can see what expenditures are paid for from donation revenue.

I am happy to report that we have ongoing stability within the Finance Department and throughout MC Canada. MC Canada management and staff are working diligently to do the work that God calls us to do, and which you are so generously supporting. I would like to end by saying a sincere thank you to all who make this rewarding work possible.

–Randy Wiebe, Director of Finance

Treasurer’s Report



Clare Schlegel

- general**
- formation**
- witness**
- support services**
- finance**
- discernment**

The work of the Kingdom here at Mennonite Church Canada continues and it is gratifying to be a very small part of it. With my term ending in July, it causes one to reflect.

I want to bring words of assurance to the constituency of Mennonite Church Canada that the organization is on solid financial ground again. While the reserves are still short of our target (3 months of operating funds), control, oversight, and review functions are all operating at a high level. Management and board receive current financial information monthly for decision-making. FPAC (Financial, Policy and Audit Committee) were extremely pleased with the very positive report from our auditors (KPMG). The audit went smoothly, with no concerns from management resulting in a clean audit report. Well done to our finance team, led by Randy Wiebe. Well done to general management and the rest of our staff team.

I want to bring words of encouragement to all. Our staff teams are solid, and again focused on ministry and the future, instead of constantly having to worry about tomorrow.

I also want to bring words of gratitude. While mergers and difficulties bring instability, lack of confidence and questioning, you, our constituency, have stood behind and supported Mennonite Church Canada and its ministries. This is the third consecutive year of solid financial results. We now have a positive track record. Mennonite Church Canada looks to the future with optimism as it works to fulfill its mission. Thank you.

I also bring words of encouragement to continue to generously support the work of Mennonite Church Canada. Ministry happens at all levels, individually, congregationally, in the area church, and at the national church. General revenues for Mennonite Church Canada again this year were slightly smaller. With prudent management of expenses, MC Canada finished with a slight operating margin, but if this revenue trend continues, it will require additional difficult program decisions. So, I encourage all (congregations, individuals, and those planning estate dispersals) to remember the ministries of MC Canada.

Wishing all God’s blessings as we minister together.

–Clare Schlegel, Treasurer



Financial Operating Statement Summary

Mennonite Church Canada—General Fund Statement of Operations

February 1, 2007 to January 31, 2008

	<i>Gross-Actual 2007</i>	<i>Net-Actual 2007</i>	<i>Net-Budget 2007</i>	<i>Variance</i>	<i>Net-Budget 2008</i>
INCOME					
Donations	3,634,724	3,634,723	3,673,290	(38,567)	3,610,800
General Bequest	45,000	45,000	0	45,000	0
Recognized Deferred Contributions	49,488	0	0	-	0
Other Income	849,364	0	0	-	0
Partner Programs	770,615	392,120	206,298	-	546,300
Related Organizations	414,459	414,459	85,000	-	297,000
Total Revenue	5,763,650	4,486,302	3,964,588	6,433	4,454,100
EXPENSES					
Witness Council	2,282,450	1,693,197	1,875,625	182,428	1,852,168
Formation Council	369,650	346,359	383,779	37,420	376,279
Support Services Council	903,710	725,545	716,658	(8,887)	713,043
General Board	504,169	396,026	421,585	25,559	395,374
CMU	325,603	325,603	335,580	9,977	335,580
Partner Programs	770,440	391,944	253,325	-	607,600
Related Organizations	414,459	414,459	85,000	-	297,000
Total Expenses	5,570,481	4,293,133	4,071,552	246,497	4,577,044
Operating Surplus(Deficit) before other items	193,169	193,169	(106,964)	300,133	(122,944)
Other items	(9,096)	(9,096)	0	(9,096)	0
Operating Surplus(Deficit)	184,073	184,073	(106,964)	291,037	(122,944)
Inter Fund transfers	(184,073)	(184,073)	106,964	(291,037)	122,944
	0	0	0	0	0

general

formation

witness

support services

finance

discernment

Note:

1. This schedule has not been audited.
2. The columns titled "Net" have deferred contributions and other income deducted from councils' expenditures.
3. Partner Programs and Related Organizations are not included in the variance calculation.

